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Terry Goddard Announces Settlements in Foreclosure Rescue Scheme

(Phoenix, Ariz. – April 4, 2008) Attorney General Terry Goddard today announced settlements totaling \$89,000 with four defendants in a “foreclosure rescue” civil case in Maricopa County Superior Court.

The State alleged that Lin Liou, 47, of Chandler, XiaoFen Liu, 33, of Laveen, Liang Zhao, 44, of Chandler and Qiao Zhu, 37, of Chandler, were “straw buyers” who obtained mortgage loans worth millions of dollars that were used to remove equity from the homes of people facing foreclosure. Straw buyers are loan applicants used by scam artists to obtain home loans. They usually do not intend to occupy the properties they are buying or pay off the mortgages they obtain.

According to court documents, the defendants participated in a “foreclosure rescue” scheme designed to skim equity from properties of distressed homeowners for the defendants’ benefit. The State alleged that the scheme worked like this:

An operator would contact a homeowner at risk of going into foreclosure and convince the homeowner to use his “refinancing” assistance; “trustees” linked to the operator would take and convey legal title of the property to a “straw buyer,” who would use his/her good credit to secure mortgage loans far in excess of the underlying debts; a loan officer would prepare and present false information on behalf of the straw buyers to lenders, and a closing agent would conceal and distribute the scheme’s illegal proceeds to the defendants

The State alleged violations of the Arizona Consumer Fraud Act and the Arizona Racketeering Act, including the illegal conduct of an enterprise, a scheme or artifice to defraud, money laundering, forgery and theft in connection with the “foreclosure rescue” scheme.

The settlements, in the form of Consent Judgments, do not constitute a finding or admission of wrongdoing. They prohibit the defendants from:

- Engaging in any misrepresentations or fraudulent activities in connection with obtaining financing for real estate purchases, or in purchasing or selling real property.
- Providing false or misleading information to mortgage lenders regarding income, assets, or debt, misrepresenting to lenders the purpose for obtaining a mortgage loan, or misrepresenting to lenders the relationship between the parties to a real estate transaction.

The settlement requires the four defendants to pay the Attorney General's Office a total of \$89,000. The money will be used to pay for consumer fraud education, attorneys' fees and investigation costs. Maricopa County Superior Court Judge Pendleton Gaines approved the settlements.

The case, *Arizona v. Peter Hou, Yanjun Hou, and Stress Free Equity Corp., et al.*, is pending against other defendants in Maricopa County Superior Court. Assistant Attorney General Cherie Howe is handling this case.

If you believe you have been a victim of fraud, please contact the Attorney General's Office in Phoenix at 602.542.5763, in Tucson at 520.628.6504 or outside the Phoenix and Tucson metro areas at 1.800.352.8431. To file a complaint in person, the Attorney General's Office has 36 satellite offices throughout Arizona with volunteers available to help. Locations and hours are posted on the Attorney General's Web site at www.azag.gov. An online complaint form is also posted on the Attorney General's Web site.

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